

TOWNSHIP OF SOUTH HACKENSACK
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

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ACCOUNTANTS' REVIEW REPORT

Honorable Mayor and Members of the Township Committee
South Hackensack, New Jersey

We have reviewed the accompanying statements of net assets available for benefits for the Township of South Hackensack Length of Service Awards Program Trust Fund as of December 31, 2009 and 2008 and the related statements of changes in net assets available for benefits in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Township.

A review consists principally of inquiries of Township personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management has not presented the management discussion and analysis information that the Government Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants

Fair Lawn, New Jersey
July 15, 2010

**TOWNSHIP OF SOUTH HACKENSACK
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
COMPARATIVE STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Investments	\$ 233,756	\$ 159,907
Contribution Receivable	<u>36,712</u>	<u>36,712</u>
Total Assets	<u>270,468</u>	<u>196,619</u>
 LIABILITIES		
Net Assets Available for Benefits	<u>\$ 270,468</u>	<u>\$ 196,619</u>

**TOWNSHIP OF SOUTH HACKENSACK
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
COMPARATIVE STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEAR ENDING DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ADDITIONS		
Additions to Net Assets Attributed to:		
Municipal Contributions	\$ 36,712	\$ 36,712
Increase in Investment Value	<u>51,131</u>	<u>-</u>
 Total Additions	 <u>87,843</u>	 <u>36,712</u>
DEDUCTIONS		
Deductions from Net Assets Attributed to:		
Administrative Charges	1,443	828
Decrease in Investment Value		67,095
Benefits Reverted to Sponsor	<u>12,551</u>	<u>1,187</u>
 Total Deductions	 <u>13,994</u>	 <u>69,110</u>
 Net Increase (Decrease)	 73,849	 (32,398)
ASSETS AVAILABLE FOR BENEFITS		
Beginning of Year	<u>196,619</u>	<u>229,017</u>
 End of Year	 <u>\$ 270,468</u>	 <u>\$ 196,619</u>

**TOWNSHIP OF SOUTH HACKENSACK
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1 DESCRIPTION OF THE PLAN

The Township of South Hackensack Length of Service Awards Program (LOSAP) was created by a Township ordinance adopted on August 9, 2001 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of South Hackensack approved the adoption of the Plan at the general election held on November 6, 2001.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and Ambulance Corps, come from contributions made solely by the governing body of the municipality, on behalf of those volunteers who meet the criteria of a plan created by that governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services will issue the permitted maximum annually.

The Township of South Hackensack has contributed the maximum of \$1,412 for 2009 and 2008, per eligible volunteer into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Township has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Township's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of pension and other employee benefit trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and deductions are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows.

**TOWNSHIP OF SOUTH HACKENSACK
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Assets, Liabilities and Net Assets

1. Investments

Investments are reported at fair value.

2. Receivables and Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to remain uncollectible. Contributions due from the Township of South Hackensack are recognized when due, since the Township has a legal requirement to make the contribution.

Liabilities are recognized when due. A liability for benefits payable is recognized when the employee's rights to receive such benefits have vested and the employee notifies the plan of his or her intent to retire.

3. Net Assets

The difference between plan assets and plan liabilities is reported as net assets available for benefits.

NOTE 3 INVESTMENTS

The Township is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

An investment agreement was entered into at the inception of the plan between the Township and Lincoln National Life Insurance Co. and Lincoln Financial Group, its agent, whereby the administrator would have custody of the securities of the plan and also advises the Township as to investment alternatives.

The investments consist of stocks, bonds, money markets, fixed investments and guaranteed accumulation. Each participant may choose his/her allocation from among these investments. The investments are made by the administrator for benefit of plan participants. The investments are valued at market value at the end of each year and the increase/decrease is posted to the individual's account.

As of December 31, 2009 and 2008, the value of the plan's investments was \$233,756 and \$159,907, respectively.

**TOWNSHIP OF SOUTH HACKENSACK
 LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 3 INVESTMENTS (Continued)

Interest Rate Risk – The Township does not have a formal investment policy that limits LOSAP investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the entity will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2009 and 2008, the plan had invested \$233,756 and \$159,907, respectively, of various securities held by the investment’s counterparty, not in the name of the plan.

Credit Risk – State law limits investments as noted above (NJAC 5:30-14.19). The Township does not have an investment policy that would further limit its LOSAP investment choices.

Concentration of Credit Risk – The Township places no limit in the amount the Township may invest in any one issuer. More than five (5) percent of the LOSAP investments are in Lincoln Financial LOSAP Investment Fund. These investments are 100% of the Township’s total LOSAP investments.

The fair value of the above-listed investments were based on quoted market prices provided by Lincoln Financial Group.

NOTE 4 RECEIVABLES

Receivables as of December 31, 2009 and 2008, including the applicable allowance for uncollectible accounts are as follows:

	<u>2009</u>	<u>2008</u>
Municipal Contribution Receivable	\$36,712	\$36,712
Less: Allowance for Uncollectibles	<u> -</u>	<u> -</u>
Net Total Receivables	<u>\$36,712</u>	<u>\$36,712</u>

NOTE 5 VESTING AND BENEFIT PROVISIONS

Benefits vest after five (5) years of service. Any volunteer who has already successfully completed five (5) years or more of service as an active member in good standing becomes vested at the on-set of the program. Any member who has successfully completed four (4) years of service as an active member in good standing will vest after one (1) additional year of service, and so forth. New members who join after implementation of the program become vested after the completion of five (5) years of active service.

**TOWNSHIP OF SOUTH HACKENSACK
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND
COMMENTS AND RECOMMENDATIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

General Comments

None.